



**Full Year Results  
for the year to  
30 April 2016**

**July 2016**

◆ **Introduction and Highlights**

Michael Ward, Chief Executive Officer

◆ **Financial Review**

Neil Smith, Chief Financial Officer

◆ **Market Environment**

Nick Smith, Director (Acquisitions and Investor Relations)

◆ **Summary and Outlook**

Michael Ward, Chief Executive Officer

# Introduction and Highlights

◆ Gateley Plc



## ESTABLISHED

**Founded** in Birmingham in the **19<sup>th</sup> century**

**Leading national practice** with regional focus

**Growth achieved** both organically and by acquisition

**Investment in national footprint** already made, platform for growth in place

**Senior management team since 2007** committed for a minimum of five years from Admission



## SCALE & DIVERSITY

**400+** fee generating staff

**5,500** clients

**Ranked #1** for Corporate Deal Volume in the UK<sup>1</sup>

**Geographic and sector diversity**, no governmental dependency, downturn protection through counter-cyclical work-streams



## FINANCIAL STRENGTH

**Track record** of delivering profitable growth

**Strong cash generation**

**Counter cyclical work streams**

**15 business lines + 1<sup>st</sup> complementary acquisition Gateley Capitus**



## OBJECTIVE

**Maximise opportunities** created by changing market dynamics

**Accelerate growth**; organically and by acquisition

Become one of the UK's **leading legal and allied commercial services providers**

1 Experian Corpfin Deal Review League 2015

**Successful IPO – June 2015 £30m raised**

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**Strong trading performance**

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**Well positioned for future success**

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**1<sup>st</sup> strategic acquisition**

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**Earlier staff equity ownership**

**Smooth transition from LLP to Plc corporate structure**

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**10.2% organic revenue growth  
13.3% EBITDA growth  
122% cash generation  
5.6p dividend proposed**

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**Resilient business structure & strategy**

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**Gateley Capitus Limited  
8 April 2016**

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**Following SAR scheme setup on IPO - All staff share scheme now in place**

- ♦ Seeking further strategic hires attracted by Plc structure
- ♦ Implementing CSOP scheme and considering LTIP's
- ♦ Build new Reading office (opened 1 June)
- ♦ Continuing to explore strategic and value enhancing acquisitions
- ♦ Robust start to FY17

# Financial Review

◆ Gateley Plc

# Financial highlights

**£67.1m**

FY16 revenue

**10.2%**

Growth

**£11m**

FY16 PBT

**12.2%**

Growth

**£12.8m**

FY16  
Adjusted EBITDA

**13.3%**

Growth

Initial interim  
dividend

**1.895p**

per share

Proposed final  
dividend

**3.764p**

per share

Organic revenue growth ahead of expectations

Largest client 2.3% of fees (2015: 3.4%)

Improved profitability – EBITDA margin increased from 18.5 to 19.1%

Effective cost control whilst continuing to invest for future growth

Adjusted EPS 8.98p improved from Pro forma EPS 8.27p

Proposed total dividend 5.639p

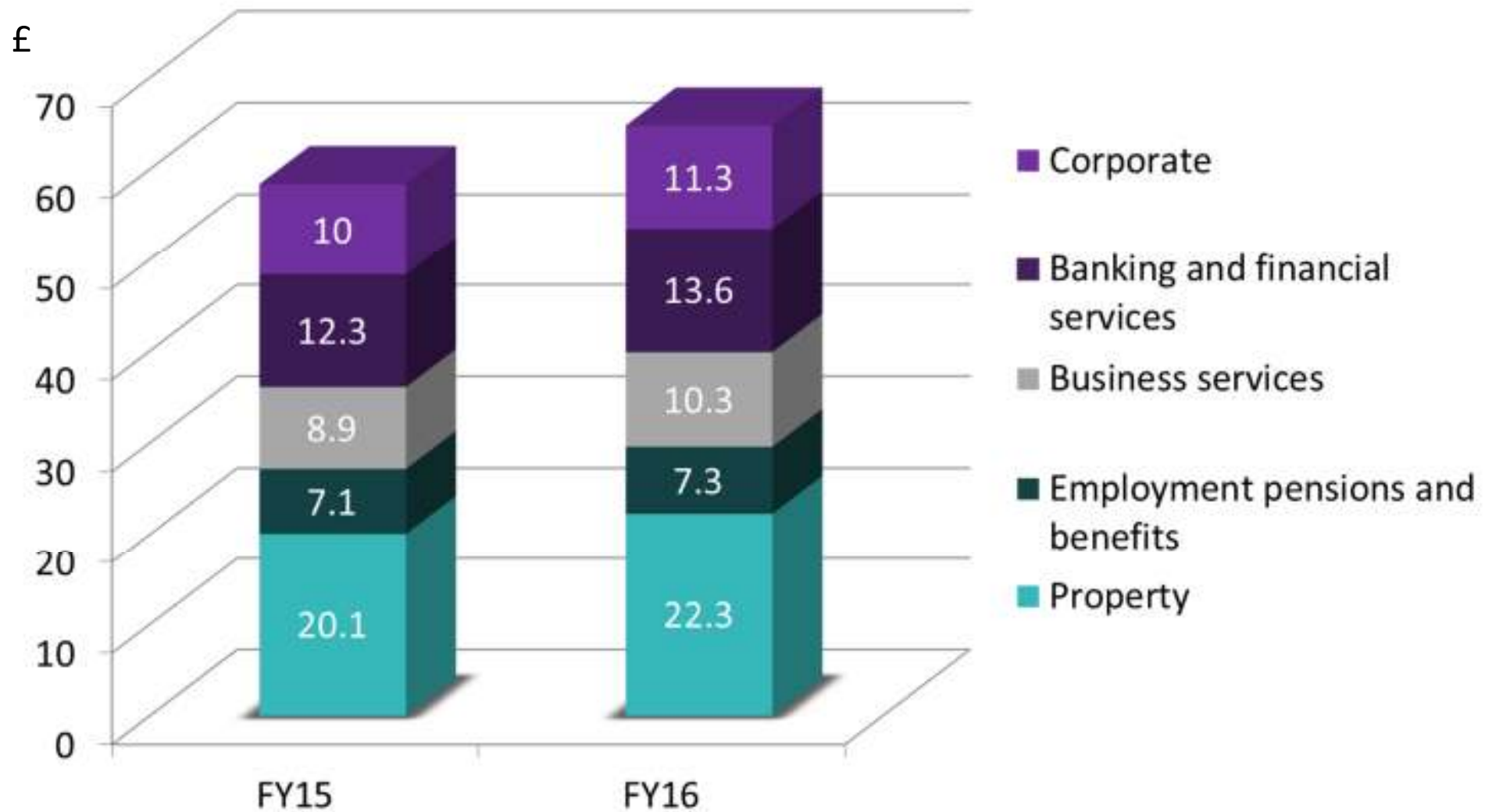


## 5 year revenue growth

◆ Gateley Plc



# Group fee mix



## ◆ Fee earner utilisation of 89% (2015: 85%)

- ◆ Despite increased headcount of 5.2%, value of billable time added increased by 10%
- ◆ Increased number of clients and matters opened each month by 17%

## ◆ Over 200 significant corporate deals in 2015 – Ranked #1 in Corpin deal volume 2015 calendar year

## ◆ People investment

- ◆ Sensible and managed year on year head count growth:

- ◆ 2013 – 548 headcount
- ◆ 2014 – 570 headcount (3.8%)
- ◆ 2015 – 606 headcount (6.3%)
- ◆ 2016 – 638 headcount (5.2%)

## ◆ 12 new partners since IPO. Partner movements since IPO:

- ◆ FY16 – 111 (Comprising 79 IPO shareholders (2 left during year) + 19 Salaried partners + 12 lateral hire partners + 2 internal promotions 1/5/15)
- ◆ FY17 to date – 117 (Comprising 111 b/fwd + 2 lateral hire partners + 4 internal promotions)

# Consolidated income statement

Year ended 30 April 2016	FY16 £m	Pro-forma FY15 £m	Change %
Revenue	67.1	60.9	10.2
Personnel costs	(39.0)	(35.6)	9.6
Other operating costs (excluding non-underlying items but including other income)	(15.3)	(14.0)	9.3
Costs	(54.2)	(49.6)	9.3
EBITDA	12.8	11.3	13.3
<i>Margin</i>	<i>19.1</i>	<i>18.6</i>	<i>0.5</i>
Operating profit	11.3	9.8	15.3
Profit before tax	11.0	9.8	12.2
Retained profit after tax	8.6	7.7	11.7
Adjusted EPS	8.98p	8.27p	8.6
Anticipated total dividend	£6m - 5.6p	£5.39m – 5.1p	11.3

# Balance sheet

30 April 2016	FY16 £m	Pro-forma FY15 £m
Non-current assets*	4.2	1.7
Current assets	43.5	39.1
<i>Cash</i>	9.8	7.4
<i>Unbilled Revenue (WIP)</i>	9.9	8.7
<i>Trade receivables</i>	20.8	21.2
<i>Other Debtors</i>	3.0	1.8
Non-current liabilities	(8.1)	(7.4)
Current liabilities	(26.9)	(23.1)
Net Assets (before final dividends)	12.7	10.3

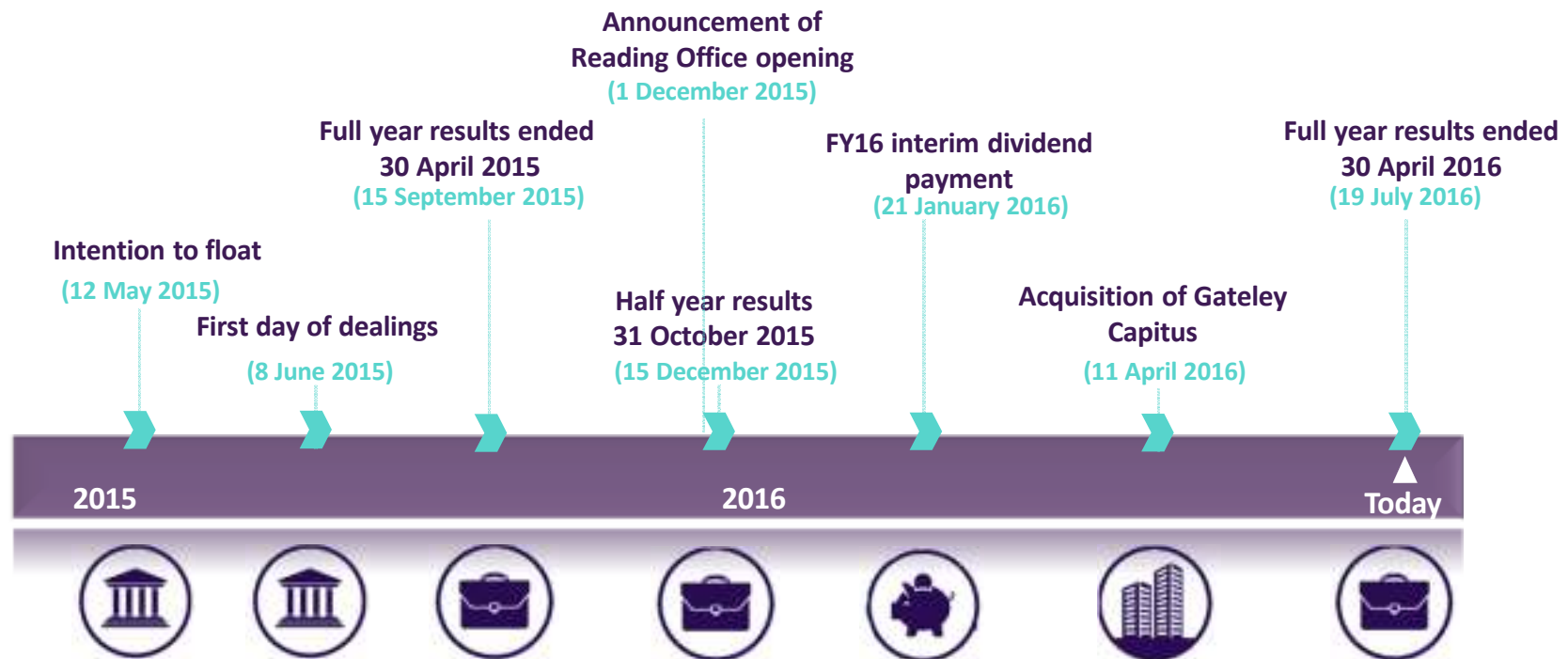
\* Includes £2.5m intangible assets resulting from acquisition of Gateley Capitus Limited

# Cash flow statement

Extracts from Consolidated cash flow statement for the year ended 30 April 2016	FY16 £m	FY15 £m
Profit for the period	8.6	23.7
Cash generated from operating activities (before one off transactional changes)	10.5 (122%)	-
Cash generated from operating activities (% of profit for period)	14.3 (166%)	21.6 (91%)
Investing activities*	(2.1)	(0.8)
<u>Financing activities</u>		
New money raised on IPO	4.9	-
Net borrowings movement (term loans)	8.9	(0.3)
Repayments on behalf of former partners (LLP legacy payments)	(16.8)	(19.7)
Dividend paid	(2.0)	-
Finance lease payments	(0.1)	(0.1)
Net cash used in financing activities	(5.1)	(20.1)
Net increase in cash and cash equivalents	(7.1)	(0.7)
Cash at end of year	9.8	2.7
* Includes net cash outlay of £1.3m on acquisition of Gateley Capitus Limited		

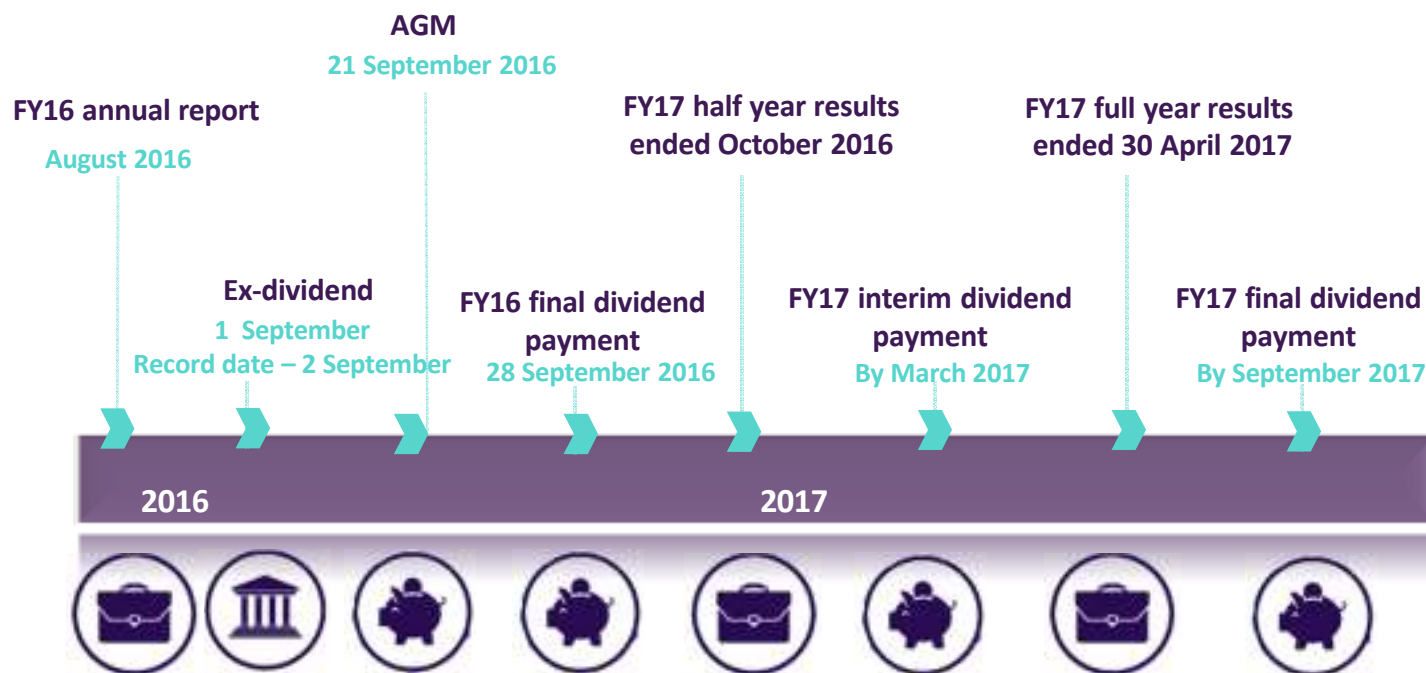
- ◆ Year end cash exceeded forecast even after £1.3m net cash re Gateley Capitus acquisition
- ◆ 12 day improvement in debtors days
- ◆ Transitional debt funding change in line with pre IPO plan
- ◆ Remaining legacy partner loan payments scheduled as follows:
  - ◆ £2.8m - July 16
  - ◆ £2.3m by May 17
- ◆ Proposed total dividend 5.639p
- ◆ Progressive dividend policy which remains well covered
  - ◆ 1.5x basic EPS
  - ◆ 1.6x adjusted EPS
  - ◆ 2.4x operating cash flow

# Timeline to date





# Proposed timeline





**Market Environment**

◆ Gateley Plc

- ♦ **No EU referendum impact immediately visible in our business**
- ♦ **Our clients currently telling us the same**
- ♦ **Gateley has shown itself resilient for the last 10 years+ through good and more challenging times**
- ♦ **Moving to Plc created the platform for continued growth even anticipating, as we did, a continuing challenging environment**

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**A mature, broad-based & resilient business**

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- ◆ **Broad-based, with no significant dependencies:**
  - ◆ No sector dependency
  - ◆ No client dependency
  - ◆ No legal discipline dependency
  - ◆ No geographic dependency
  - ◆ No London markets dependency
  - ◆ No overseas capital commitments or FX exposure
  - ◆ No governmental dependency
  - ◆ Counter-cyclical work streams
  - ◆ A mid-market focus, largely national
  - ◆ An established, mature business in all but one of our trading locations
  - ◆ A strong and loyal client base (98% of clients recommend us)

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**A mature, broad-based & resilient business**

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- ◆ Gateley is well positioned to ride out any storm and to continue to win market share:
  - ◆ Offering all the services clients are likely to need
  - ◆ Gateley <1% of overall £30bn+ market
  - ◆ England to remain key legal jurisdiction (English law very likely to remain preferred)
  - ◆ Gateley the only law firm with positive balance sheet, which continues to strengthen
  - ◆ Economic volatility promotes a need for legal advice (contract redrafting, changes in workforce, asset disposals, balance sheet restructuring etc.) and promotes litigation
  - ◆ Gateley is a cost-effective solution when compared to leading City and international firms

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**A mature, broad-based & resilient business**

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- ◆ **Our Plc plan is the platform to grow in continued challenging times:**
  - ◆ Differentiate
  - ◆ Diversify
  - ◆ Incentivise
- ◆ **One year post-Admission we remain the only listed full-service commercial law firm – we believe our business plan/structural advantage is likely to continue for the time being**

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**A mature, broad-based & resilient business**

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**Summary**

◆ Gateley Plc

- ♦ **Solid performance since the IPO – positive reaction from within**
- ♦ **Continue smooth transition from LLP to Plc**
- ♦ **New Plc status continues to raise our profile – Group is well balanced and resilient**
- ♦ **New and exciting opportunities in each area of our Strategic Plan**
  - Build a full service office in Reading
  - Target growth in specific service lines
  - Look for further complementary acquisitions
  - Build on equity incentivisation platform
- ♦ **Encouraging start to FY17 but challenging environment remains**
- ♦ **Management expect to deliver in line with expectations for the full year**



# Appendices

◆ Gateley Plc



The diagram consists of three light gray rectangular boxes arranged horizontally. Each box contains a dark teal diamond shape with white text inside. The first box on the left contains the word 'DIFFERENTIATE', the middle box contains 'DIVERSIFY', and the right box contains 'INCENTIVISE'. Below these three boxes is a wide, light gray horizontal bar. Inside this bar, the text 'Plc structure has created the platform for growth' is centered in a teal color. The bar is flanked by two teal triangular shapes pointing towards the center.

**DIFFERENTIATE**

**DIVERSIFY**

**INCENTIVISE**

**Plc structure has created the  
platform for growth**



DIFFERENTIATE

## The only full-service commercial law firm:

- ♦ Available for external investment on a public market
- ♦ Able to offer corporate paper for potential acquisitions
- ♦ Able to offer equity to its staff
- ♦ With a corporate balance sheet and the capacity to build long-term shareholder value

## Profile significantly enhanced:

- ♦ Significant print press coverage since first day of dealings
- ♦ Comprehensive national, regional, investment and business coverage



## DIVERSIFY

- ◆ 14 new partners hired since Admission (more in ongoing discussions – 2 post 30 April 2016))
- ◆ Residential development unit now trading in London and SE England
- ◆ Expanded capacity following office moves in 2015 in Leeds, Nottingham and new Reading in 2016
- ◆ Priority sectors (legal and non-legal) being identified for proactive targeting
- ◆ Increased profile and Plc status generating expansion opportunities



INCENTIVISE

## Wider and earlier ownership by employees:

- ♦ All staff hold equity
- ♦ 7.2m shares optioned to senior employees subject to performance over three years
- ♦ All employee share incentive scheme now in place
- ♦ CSOP and LTIPs being considered

## Unique and progressive ownership structure attracts talent:

- ♦ Ability to build long-term value appeals
- ♦ 14 partners joined since IPO
- ♦ More new partner conversions ongoing

Five year “lock-in” (including share and cash claw-back) in place for 79 Partners (selling shareholders)

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